"Inflation targeting" has become the operational objective for many central banks around the world. By one recent count, twenty-three countries had adopted formal inflation targeting as of 2006 and more are on the way. Even where central banks have not adopted formal inflation targeting, many have implemented inflation targeting “lite” by informally focusing on reducing inflation to low levels, to the exclusion of other important economic goals such as increasing employment, growth, or living standards.

This almost single minded concern with inflation, however, leaves many important questions unanswered: Is inflation targeting really the best framework for developing country central banks to adopt even if they face relatively low rates of employment generation together with a high rate of poverty incidence? Should inflation targeting monetary policies be reformed to take more explicitly into account other macroeconomic objectives such as employment generation, maintaining a stable and competitive real exchange rate, or export promotion and economic growth? What are the concrete alternatives to inflation targeting and how would they operate under the constraints and conditionalities of a globalized world economy characterized by high finance capital mobility?

To address these questions, over the past three years, economists at the Political Economy Research Institute (PERI) at the University of Massachusetts, Amherst and Bilkent University in Ankara Turkey organized an international team of economists to develop a series of country and thematic studies on Alternatives to Inflation Targeting. The main motivation of this research team was the observation that the main source of macroeconomic instability currently is not instability in the product markets but asset markets; and the main challenge for policy makers is not containing inflation, but reducing unemployment and financial instability. We offer viable alternatives to inflation targeting central bank policies to promote employment, sustained growth, and improved income distribution.

An important goal of the project has been to develop concrete alternative policies in country specific contexts that could achieve superior macroeconomic outcomes. These approaches explicitly aim to stabilize inflation at reasonable levels, and to target other important "real" variables that have a direct, positive impact on the standard of living of the majority of citizens, such as employment generation, investment promotion, and real exchange rate stabilization at competitive levels.
Over two days on May 17 and 18, 2007, these researchers will present their findings, and invite discussion of these broad issues, first at a panel hosted by the G-24 at the IMF on May 17 and then at a workshop co-Sponsored by PERI and the New Rules for Global Finance Coalition at the Economic Policy Institute. The program of the Panel and the Workshop are attached below.

CONFERENCE AGENDA

Day 1: A Panel Discussion on Inflation Targeting and Alternatives in Developing Countries at the International Monetary Fund

Thursday, May 17, 2007, 4:00 – 5:30
International Monetary Fund
HQ2 Conference Hall
700 19th Street, NW
Washington, DC

Co-Sponsored by the G-24 and the Political Economy Research Institute (PERI), University of Massachusetts, Amherst

Chaired by Martin Abeles, G-24 Under-Secretary for Economic Affairs from Argentina, and Chair of the G24 Deputies

Murilo Portugal, "Perspectives & Lessons from Country Experiences with Inflation Targeting."

Gerald Epstein and Erinc Yeldan, Overview of the Findings on "Alternatives to Inflation Targeting"

Roberto Frenkel, "Inflation Targeting and Exchange Rate Policy"

Nelson Barbosa Filho, “Inflation Targeting and Macroeconomic Policy in Brazil”

Day 2: Alternatives to Inflation Targeting: Thematic Issues and Country Studies
(this portion of the conference is not sponsored by the G-24)

Friday, May 18, 2007, 8:30 AM - 4:00 PM
Economic Policy Institute
1333 H Street, NW, Suite 300, East Tower
Washington, DC 20005

Co-Sponsored by PERI and the New Rules for Global Finance Coalition

All are welcome, but RSVP is required. Please send RSVPs to jbaker@new-rules.org
8:30 AM  Coffee/Light Breakfast

9:00 – 9:30  Introduction: Alternatives to Inflation Targeting for Employment Creation, Poverty Reduction and Sustainable Growth: A Multi-Country Study

   Gerald Epstein and Erinc Yeldan

9:30-11:00  Country Studies I: Argentina, Brazil, Mexico

   Roberto Frenkel and Martin Rapetti, "Monetary and Exchange Rate Policies in Argentina after the Convertibility Regime Collapse"

   Luis Miguel Galindo and Jaime Ros, "Inflation Targeting in Mexico: An Empirical Assessment"

   Nelson Barbosa-Filho, "Inflation Targeting in Brazil: Is there An Alternative?"

   Discussion

11:00-11:15  Coffee Break

11:15 -1:15  Country Studies II: South Africa, Turkey and Philippines

   Gerald Epstein, "A Proposal for Employment Targeting Monetary Policy in South Africa"

   Robert Pollin, "Employment Targeting and South Africa: Financial and Fiscal Dimensions"

   Ebru Voyvoda and Erinc Yeldan, "Macroeconomics of Twin Targeting in Turkey"

   Joseph Lim, "Philippine Monetary Policy and Some Alternatives"

   Discussion

1:15-2:00  Lunch

2:00 – 3:00  Thematic Issues: Inflation, Gender Impacts and Theoretical Frameworks

   Elissa Braunstein and James Heintz, "Gender Bias and Central Bank Policy: Employment and Inflation Reduction"

   Jose A. Cordero, "Monetary Regimes, Inflation and Growth in a Small Economy: A Structural Approach"


   Discussion

3:00-4:00  General Discussion and Next Steps: Alternatives to Inflation for Stable and Egalitarian Growth
LIST OF PARTICIPANTS

Martin Abeles, G-24 Under-Secretary for Economic Affairs
Nelson Barbosa Filho, Secretary of Economic Monitoring at the Brazilian Ministry of Finance
Elissa Braunstein, Colorado State University, Fort Collins, Colorado
Jose A. Cordero, Mt. Holyoke College, South Hadley, Massachusetts
Gerald Epstein, Department of Economics and Political Economy Research Institute, University of Massachusetts, Amherst
Roberto Frenkel, Center for Studies on State & Society (CEDES), Beunos Aires, Argentina
Luis Miguel Galindo, National Autonomous University of Mexico, Mexico City, Mexico
James Heintz, Political Economy Research Institute, University of Massachusetts, Amherst
Joseph Lim, Ateneo de Manila University, Manila, Philippines
Robert Pollin, Department of Economics and Political Economy Research Institute, University of Massachusetts, Amherst
Murilo Portugal, Deputy Managing Director, International Monetary Fund
Jaime Ros, University of Notre Dame, Indiana
Ebru Voyvoda, Middle East Technical University, Ankara, Turkey
Erinc Yeldan, Bilkent University, Ankara, Turkey

The organizers appreciate the financial support of United Nations – DESA, The Ford Foundation, and Rockefeller Foundation. We are also grateful for assistance from the G-24, especially Amar Bhattacharya and Jomo Komo Sundaram; and Jamie Baker and Jo Marie Greisgraber of the New Rules Coalition.